

### WAGES AND INDEXATION OF INITIAL OLD-AGE PUBLIC BENEFITS: CONCEPTUAL ISSUES AND STATISTICAL PROBLEMS

Gábor Oblath and András Simonovits

In Hungary, average initial old age pensions have risen much faster than average pensions over the past decade. Several factors have contributed to this, of which the method of valorization and official earnings statistics are of particular importance. In most countries, initial pensions are determined on the basis of a wage path of several decades, and nominal earnings of each year are valorized (indexed) by the growth of nationwide nominal wages. This is also the method used in Hungary. The comparisons presented in the study show that between 2013 and 2021, the official net wage index may have significantly overestimated the increase in national average net earnings, thus leading to a higher than justified increase in initial pensions. The paper examines several aspects of this issue, including the plausibility of a significant decline in the average pension/net wage ratio, and the dilemmas faced by policymakers in such a situation.

### EXAMINING THE TRANSITION TO A POINTS-BASED PENSION SYSTEM IN HUNGARY

József Banyár

The European Commission is calling for the reform of the Hungarian pension system. One possible way forward could be the implementation of an improved version of the current German pension system. This would solve many of the problems of the Hungarian pension system, such as the 'slippage' between old and new pensions, and would make the system more transparent for all concerned, while also opening the door to further important rationalisation steps. These could include a better, fairer widows' pension scheme, the systematic application of pension splitting, the pension age indexation and a more rational relationship between pensions from the state and from different supplementary pension schemes. In addition, Hungary would join the growing number of countries that have recently introduced elements of the German pension system.

## SHADOW BANKING IN HUNGARY

András Bethlendi and Katalin Mérő

In this article we analyze the Hungarian shadow banking system. We point out that the Hungarian shadow banking system is not only much less developed than that of the EU's developed countries, but also structurally different. The domestic financial system has not followed the structural changes that have taken place in developed countries over the last two decades. A further specific feature of the Hungarian system is what we call the secondary shadow banking system, through which foreign market-based funds – shadow banking funds – do not finance the domestic banking system directly, but through foreign interbank funds and related derivative instruments. The aim of our analysis is to explore the reasons for these specificities, to analyze the risks that the domestic shadow banking system entails and to highlight some of the implications of these specificities and risks for the further development of the financial sector.

## MEASURING MACROECONOMIC PERFORMANCE AND THE HIDDEN IMPROVEMENT OF TERMS FOR TRADE IN HUNGARY DURING THE TRANSITION TO A MARKET ECONOMY

Antónia Hüttl

The paper presents a revised set of data on growth and real income levels in Hungary in the 1985-1995 period. It searches for an explanation for why Hungary could keep its relative level of development in spite of the huge decline in the volume of GDP. It argues that the quality of products improved massively due to import liberalisation and the inflow of FDI, but price statistics were unable to measure it. It was not possible to separate price increase caused by quality improvement from genuine price changes. As during the first period of the transition such products derived mainly from imports, non-observed quality improvements distorted the GDP volume index less than the index of real domestic income. In this way, during the transition period final domestic use might have increased significantly and GDP volume decline was also less than presented earlier. It is very likely that economic development was similarly underestimated in other Central and Eastern European Countries as well.